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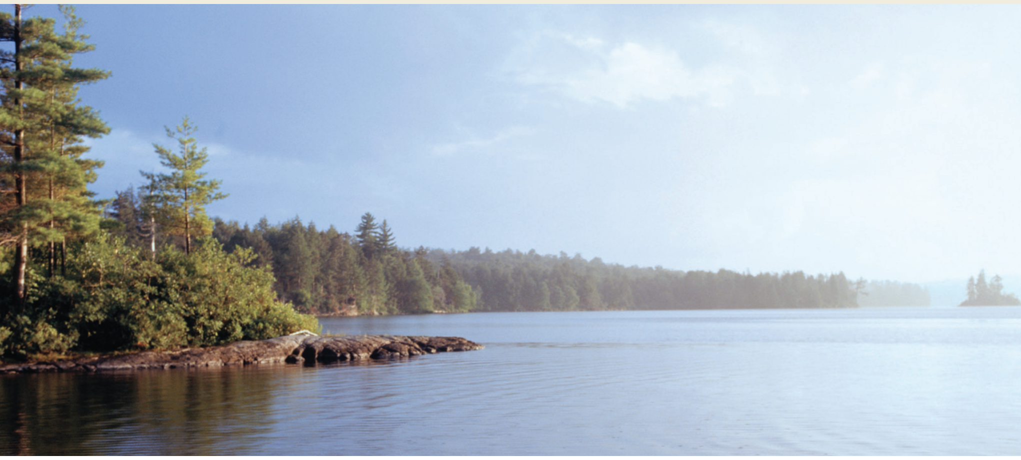

Ranked #1 in client service by DALBAR

for the 4th consecutive year

Successful investing – at every life stage

Saving and investing can provide benefits at every life stage – but priorities change over time. As a result, different life stages typically call for different savings vehicles and different investment strategies.

Your needs change from the early years of saving for a car or home, to the middle years of saving for retirement, to the later years of drawing down retirement income. At each stage, focusing on appropriate investment strategies can help you maximize investment success and achieve your financial goals.

The three sections that follow provide an overview of three life stages, the types of investment concerns that can typically arise in each and the tools available at RBC Direct Investing™ to help you make the decisions that are best for you. You can always refer to the *Retirement & Investment Planning* page within the **Guidance & Planning** tab of our online investing site to explore the key steps, strategies and online tools available.

It's important to keep in mind that these are broad scenarios and needs may vary depending on individual situations.

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In this issue

Starting out: Your 20s and 30s

With an early-career paycheque, you may be finding it challenging just to pay rent, cover day-to-day expenses and pay down student debt, never mind setting aside money for your future. But because of the long-term benefits of compounding, a commitment to saving and investing is one of the smartest financial decisions you can make at this stage.

Goals at this life stage tend to be short- to medium-term in nature, and might include accelerating student debt repayments, buying a first home, starting a family, or saving for a car or vacation. One of the best ways to save is through a Tax-Free Savings Account (TFSA). Canadians who are of the age of majority in their province of residence can contribute up to $5,000 each year to a TFSA and all investment earnings and withdrawals are tax-free. For details on TFSA regulations, visit the Canada Revenue Agency website at www.cra.gc.ca.

The *Manage My Goals* page found under the **My Portfolios** tab of the online investing site helps you to define investment goals and chart your progress towards achieving them. A range of other tools located under the **My Portfolios** tab are available to assist you with building, managing and monitoring your investment portfolio.

Saving for a home? Consider RRSP savings

While the main purpose of an RRSP is to help you save for retirement, it can also be used to help you buy a home. Under the RRSP Home Buyers' Plan, you can withdraw up to $25,000 tax-free from your RRSP to buy or build your first home. Certain restrictions apply, and you must repay the amounts withdrawn over a 15-year period, beginning two years after the year of the withdrawal. For full details, visit the Canada Revenue Agency website at www.cra.gc.ca and look up the Home Buyers' Plan in the A to Z index.

Get smart – contribute automatically

Whether you're using a TFSA or RRSP account to build your savings, one of the most effective ways to save is to make automatic regular contributions. A Pre-Authorized Contribution (a regular automatic contribution plan) automatically transfers money from your chequing or savings account to your TFSA or RRSP.

To set up a Pre-Authorized Contribution, go to the *Forms* page located under the **My Home** tab of the online investing site.

Consider your goals – and a strategy to match

If you want to...	You may want to consider...	You will benefit from...
Save to pay down debt or save for any short-term goal	■ Opening a TFSA	■ Tax-free investment earnings and the withdrawal flexibility of a TFSA
	■ Setting up a Pre-Authorized Contribution	■ The ease and effectiveness of paying yourself first with automatic contributions
	■ Starting a non-registered investment account	■ An asset mix that can be tailored to your short- and long-term objectives
Save for a down payment on a home	■ Opening an RRSP	■ Tax-deductible contributions and tax-deferred growth of an RRSP – plus tax-free withdrawals through the Home Buyers' Plan ■ A head start in saving for retirement

Serious saving: Moving through your 30s to your 40s and 50s

At this stage of life, as longer-term investment goals typically become more of a priority, most people have paid off debt from their early years and are earning more. However, you may find that your financial obligations have also increased, with a home mortgage and a growing family to care for.

With this shift in focus, two key longer-term savings goals often emerge: saving for a child's post-secondary education and saving for your own retirement.

Saving for education

If you've started a family, then savings for your child's education may be a priority, as the costs of future post-secondary education can be substantial. In terms of how you save, a Registered Education Savings Plan (RESP) offers a number of advantages:

- **The Canadian Education Savings Grant (CESG)**. For an eligible beneficiary under the age of 18, the government will add 20% annually to the first $2,500 contributed to an RESP; that equals $500 per year. The maximum CESG over the life of the plan is $7,200 per beneficiary.
- **Tax-free compound growth.** While RESP contributions are not tax-deductible, investment earnings within the plan are tax-deferred. Another benefit is that you can contribute up to a lifetime maximum of $50,000 per child.
- **Little or no tax when withdrawn**. When your child enrolls in a post-secondary institution, your original RESP contributions can be withdrawn tax-free, and your investment earnings can be included in your child's taxable income as long as they're used to fund his or her post-secondary education. In most cases, there is typically little or no tax payable.

You can find out more by visiting the Planning for a Child's Education section located under the *Retirement & Investment Planning* page of the **Guidance & Planning** tab. Here you can explore the steps and follow the links to useful tools and calculators, including the "How much do I need save for my children's education?" calculator.

Saving for retirement

For retirement savings, a Registered Retirement Savings Plan (RRSP) may form the foundation of your savings. Contributions are tax-deductible and investment earnings are not taxed while they remain in the plan.

On the RBC Direct Investing site you'll find an entire section devoted to Planning for Retirement. This section, also found under the *Retirement & Investment Planning* page, will guide you through the key steps, strategies and online tools to help you start a plan and keep it on track. From here, you can also link to Calculators located under the **Quotes & Research** tab. You'll find tools to help you determine contribution rates, the income you can expect from your savings and what your savings will be worth in the future based on contribution and return assumptions.

Investing for the long-term

You may want to consider investments geared towards growth like stocks, exchange-traded funds (ETFs) and equity-based mutual funds.

These investments provide higher potential returns and an important buffer against the long-term effects of inflation. While they carry a higher investment risk, the longer-term nature of your investments means that you are likely to have enough time to ride out any short-term losses caused by the ups and downs of the market.

As in your earlier years, a Pre-Authorized Contribution (a regular automatic contribution plan) is one of the most effective ways to build your savings. Automatic contributions can be set up for your TFSA, your RRSP, your RESP or all three.

Consider your goals – and a strategy to match

If you want to...	You may want to consider...	You will benefit from...
Save for your children's education	■ Opening an RESP account ■ Setting up a Pre-Authorized Contribution	■ The Canada Education Savings Grant ■ The ease and effectiveness of building education savings with automatic contributions
Save for your retirement	■ Maximizing RRSP contributions ■ Maximizing TFSA contributions ■ Starting or increasing contributions to a non-registered investment account	■ Tax-deductible contributions and the tax-deferred growth of an RRSP ■ Tax-free investment earnings and tax-free withdrawals ■ The higher potential returns of growth investments that can accelerate your retirement savings over time

The retirement income years: Your 60s, 70s and beyond

As you prepare for and move into retirement, your investing focus shifts from building your savings to managing them. The goal is to ensure that your savings last as long as needed and provide you with enough cash flow to fund your desired retirement lifestyle.

From RRSP to RRIF

You must convert your RRSP to some form of retirement income no later than the end of the year in which you turn 71. You can choose to withdraw it in cash, purchase an annuity or roll over some or all of your RRSP to a Registered Retirement Income Fund (RRIF).

A RRIF gives you the flexibility to continue managing your asset mix and to withdraw as much or as little as you need, based on annual minimum withdrawals that are required by the government.

You'll find help for your retirement income planning on our online investing site. Several RBC Direct Investing tools can help you determine how much income you can expect from your RRSP savings, what your cash flow needs will be, and how many years you can expect your RRIF savings to last using different assumptions. Visit the Investing in Retirement section found on the *Retirement & Investment Planning* page of the **Guidance & Planning** tab to find out more.

Other financial goals in retirement

While income planning is a major focus of your retirement years, you may have other financial planning goals, including contributing to a grandchild's education savings, setting up a charitable bequest or planning your estate.

While some of these goals – such as education savings – simply require a redirection of your savings, others – such as estate planning – are more complex. In those cases, it's worthwhile to get the help of a lawyer, accountant or other professional advisor to ensure that the strategies to achieve your goals are properly prepared and executed.

Consider your goals – and a strategy to match

If you want to…	You may want to consider…	You will benefit from…
Begin drawing down retirement savings	■ Transferring your RRSP assets to a RRIF ■ Setting up an automatic withdrawal plan	■ Ongoing tax deferral for assets that remain in the RRIF, plus retirement income flexibility ■ The regular income that an automatic withdrawal plan provides
Make it easier to manage your retirement income	■ Consolidating your accounts with one provider	■ Being able to see your asset allocation at a glance ■ Easier record-keeping
Help pay for your grandchildren's education	■ Setting up an RESP	■ The peace of mind in knowing that your gift will be used for education – and your contributions may qualify for the Canada Education Savings Grant
Provide for others, whether now or through your estate	■ Developing an estate plan, with the help of professional advice	■ Knowing that your assets will be used and allocated tax efficiently and according to your wishes

Tools to help you along the way

The *Retirement & Investment Planning* page within the **Guidance & Planning** tab of our online investing site has been designed to help you at each step of the way.

If you need assistance finding your way around the site or with any of our tools, we're here to help. An Investment Services Representative can answer your questions and walk you through our website using our new screen-sharing technology. Simply call us at 1-800-769-2560.

Summertime – easy living, easy ways to manage your portfolio

Wherever you may be travelling this summer, if you have Internet access your RBC Direct Investing accounts will be right there with you. It's easy to access, monitor and manage your portfolio, even if you're away from your home base.

In addition, order types, such as stop loss and limit orders to buy or sell securities, enable you to initiate a buy or sell order if a stock reaches a certain price point. Stop loss and limit orders can be placed with expiries as long as a month, so you don't have to worry about potentially missing out on trades. You can set your orders before you leave Canada.

Regardless of your plans, the slower pace of summer is always a good time to review your investments, check your asset allocation and even investigate potential new areas to explore.

RBC Direct Investing makes it easy to trade in U.S. dollars

Investors at any stage of life may want to invest in U.S. investments or may be looking to access U.S. currency, whether for immediate needs (such as a U.S. vacation) or longer-term needs, such as a retirement home in the southern states.

As an RBC Direct Investing client, you can hold both Canadian and U.S. dollars in most registered and non-registered accounts. So when you trade your U.S. investments, you can keep your returns in U.S. dollars if you choose, avoiding the cost and inconvenience of exchanging from and to Canadian dollars with each transaction.

Opening a new account is now easier than ever

A new online account application is now available when you choose to open a new RRSP, TFSA, RRIF or Investment Account.

Highlights of the new account application include:

- A simplified and quicker account application, greatly reducing the number of questions that must be answered to open an account.
- The ability to open multiple accounts in one session.
- A guided approach that walks you step-by-step through the account application.
- An eSignature option, so you don't need to print, sign and mail in an actual paper application.
- An integrated transfer form, making it easier for you to move assets from another institution into your new account.

You can access the new application forms by selecting the Open New Accounts link located under the **My Home** tab.

Market Outlook

Provided by RBC Global Asset Management on June 14 , 2011

The global economy continues to progress through the recovery phase of the business cycle. However, several storm fronts have rolled in, resulting in light turbulence that has modestly rerouted the global economy. These clouds include the devastating events in Japan, the ongoing disintegration of Eurozone finances, the lingering effects of high oil prices and a spate of disappointing economic data. Together, they have produced a mid-cycle gut check for financial markets. Despite the assemblage of mediocre and bad headlines, we steadfastly believe that the economic recovery is still proceeding. The vast majority of indicators confirm a continuation of the economic recovery, if a slightly less ebullient one.

Given recent adverse developments, it is perhaps not surprising that financial markets have recently lost their upward momentum. Figuring centrally in the market's hesitant attitude, economic data has lost the bounce in its stride. Quite a number of measures have either had their upward progress arrested, or outright reversed, and forecasters have scrambled to adapt to this new, more cautious reality by lowering their global economic forecasts. Our economic forecasts of a quarter ago were already a hair softer than the consensus, and this modicum of caution has proven appropriate. Our forecasts for this quarter are only modestly downgraded.

HEADWINDS CONTINUE TO EVOLVE

There are still a number of headwinds that must be monitored closely. Some of these are showing signs of improvement (employment, credit growth), while others continue to bounce along the bottom (housing) or deteriorate (the sovereign debt crisis in Europe). To the list of headwinds, we should now add the beginning of tightening monetary conditions globally and the mounting fiscal pressures on governments. However, the key event that looms on the immediate horizon is the end of QE2. The Federal Reserve is set to end its second round of quantitative easing in June. Some fear that this could prompt a substantial correction, but we believe the outcome should be much more benign.

A more credible market worry is Europe's deteriorating fiscal situation. The odds of a default are quite high for Greece, Ireland and Portugal. However, the effects of any European sovereign defaults need not be catastrophic. The main effect of sovereign defaults will be to slow European economic growth as banks focus on recapitalization, and as governments focus on austerity. In fact, most of the developed world is grappling with the same basic problem on a (hopefully) more manageable scale: how to rein in fiscal excesses while simultaneously nurturing economic growth.

DOLLAR BEAR MARKET CONTINUES, FOR NOW

The U.S. dollar bear market, in its 10th year, brought the 'greenback' to undervaluation extremes. A weaker economy, ever-delayed expectations of Fed rate hikes contrasted with earlier-than-expected tightening by the ECB, and worries about worsening fiscal deficits are some of the reasons behind the weakness. Looking ahead, however, the odds of a turn in the dollar over the next 12 months have increased. After all, the end of QE2 will stop Fed balance-sheet growth dead in its tracks and maximum dollar liquidity will have been reached by July 1. In addition, with Greek credit spreads at twice the levels of a year ago, and disagreements in Europe regarding the steps required to achieve a workable solution, the European crisis is worsening at a time when the euro is very overvalued. It is also quite possible that by late summer, economic data in the U.S. will be better than expected after downward forecast revisions make forecasts easier to beat, another potential positive for the dollar.

INFLATION LIKELY TO REMAIN ELEVATED

Global inflation continues its resurgence and is now approaching the highest level since the fall of 2008. While rising commodity prices are currently among the main drivers of inflation, the greatest threat relates to central-bank decision-making. Some central banks appear set to delay monetary tightening in an effort to guarantee sustainable growth, at the cost of an extra whiff of inflation in a few years time. Conversely, the most compelling argument that global inflation is unlikely to spiral out of control is the simple economic reality that most countries continue to grapple with billowing economic slack – an environment that is inhospitable to sustained inflation pressures. We believe that inflation will likely remain at elevated levels while the effect of higher commodity prices continues to trickle in, but that debilitating inflation is unlikely.

CLEAR DOWNSIDE LIMITS TO BOND YIELDS

Ultra-low policy rates and renewed growth concerns have allowed real rates to remain very low. We believe bond yields are already at the very bottom of the appropriate range, given our economic outlook. Rising policy rates are likely to force short-dated yields higher over the coming year. This will certainly vary on a country-by-country basis, with the Eurozone, U.K. and Canada liable to lead in the early going, and the U.S. catching up as 2012 unfolds.

Our expectation of rising long-term bond yields across developed markets is grounded in the belief that this mid-cycle slowdown in economic data is not a harbinger of another recession. We see clear limits to the downside potential for yields. Longer-dated bond yields should experience upward pressure from policy normalization, plus a further upward tilt in inflation expectations and the beginning of a gradual increase to reflect sovereign risk.

NEAR-TERM CHALLENGES FOR EQUITIES

Despite the recent reduction in our equity weight (details below), we remain overweight stocks for two reasons: reasonable valuations and ongoing profit growth. Equities remain below fair value in most developed nations despite huge returns since the market trough of two years ago. Earnings are also supportive, although year-over-year comparisons are becoming more demanding following two years of improving margins and accelerating revenues.

We see two near-term challenges for equity markets. The first is related to the somewhat optimistic expectations currently built into forward earnings estimates. To date, consensus estimates do not seem to have entirely incorporated the downward revisions to U.S. and global growth that have emerged. The second is uncertainty surrounding the imminent end of QE2. After several quarters of healthy growth, the bar for equity markets has been raised, and the ability of companies to beat expectations will become increasingly difficult.

REDUCED EXPOSURE TO STOCKS, BUT REMAIN OVERWEIGHT

Tracking the gradual normalization of the global economy and reflecting relative valuations, our asset mix continues to overweight equities and underweight bonds. Following the worst trailing 10-year returns for stocks relative to bonds, prospects for equities appear far superior to fixed-income markets. Nevertheless, various threats to the equity bull market appear to be growing in scale and number as we enter the summer months. Although our positive longer-term view for equities, and especially for stocks versus bonds, remains, it seems prudent to modify our risk profile until greater clarity appears. Therefore, we have lowered the exposure to stocks in our global balanced profile by 2.5% to 58.5%, with the proceeds directed towards cash. For a balanced global investor, our current recommended weight in equities of 58.5% is above our neutral weight of 55% (within an allowable range of 40% to 70%). We remain modestly underweight fixed income at 36.5% versus a neutral setting of 40% (allowable range 30% to 60%). The remaining 5% is allocated to cash.

The complete RBC Investment Strategy Committee's Global Investment Outlook, including the recommended asset mix by investor profiles and the definitions of the investor profiles, can be found on the Market Insight page under the Markets tab on the RBC Direct Investing site.

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